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May 23, 1997

Mr. David S. Guzy
Chief, Rules and Procedures Staff
Minerals Management Service
Royalty Management Program
P O Box 25165 MS3101
Denver CO 80225-0165

RE: Delegation of Royalty Management Functions to States - 62 Fed. Req. 19967 (April 24, 1997)

Dear Mr. Guzy:

The Council of Petroleum Accountant's Societies (COPAS) appreciates the opportunity to comment on the MMS' proposed rulemaking governing delegation of royalty management functions to states. COPAS members have extensive experience with Royalty Management Program (RMP) rules and handle royalty valuation, allowances, adjustments, bills, audits, and other royalty matters on a regular basis. Therefore, we believe our comments will be beneficial in improving RMP processes for both the MMS and industry.

General Comment

COPAS finds this proposed rule very difficult, if not impossible, to respond to. Throughout the proposal MMS refers to the "Standards", but, because industry has not seen the "Standards", it is impossible for us to provide informed comments.

Specific Comments

Section 229.1 - "Further, it would explain that this part also provides procedures to delegate ... and leases subject to Section 8(g) of the Outer Continental Shelf Lands Act ...". COPAS does not oppose the delegation of 8(g) lease, but we urge MMS not to split the reporting of a lease that contains 8(g) and non-8(g) wells or a unit that contains both section 8(g) leases and non-8(g) leases. Either the whole lease or unit should be delegated or MMS should retain the whole lease or unit.

Section 227.100(b) - Same comment as above for Section 229.1.

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Section 227.102(d) - COPAS supports MMS retaining enforcement actions. We believe this is necessary to maintain uniformity. COPAS also believes that tolerances currently used by MMS (i.e. error rates, etc.) must be continued to be reviewed at the Payor Code level for the total federal universe instead of an individual state basis.

Section 227.106(d) - COPAS supports maintaining uniformity.

Section 227.110(b)(1) - COPAS believes that a hearing should be held even if the state does not change the terms of its delegation agreement for the renewal period. If MMS wants to make the hearing optional, COPAS recommends that MMS publish a Federal Register notice informing all interested parties of the renewal request and that a hearing could be requested by any interested party.

Section 227.500(f) - *COPAS does not oppose a state imposing assessments on a person who chronically submits erroneous reports, but we do have concerns about the coordination of this assessment. COPAS believes the assessment must be viewed and made at a Payor Code level for all federal leases. The assessment should not be made on a state by state basis. What if a reporter had one lease within a state? It would be grossly unfair to assess that reporter if it made an error on its one lease.*

Section 227.600(b)(4) - COPAS does not object to a state calculating interest, but we have concerns on how the excessive overpayment provision of FOGSFA will be interpreted. COPAS believes that this provision must be viewed on a Payor Code level for all federal leases. We do not believe that this provision should be made on a state by state basis. What if a reporter had only one lease within a delegated state, but hundreds of federal leases in other states?

Section 227.800(a) - COPAS recommends that the monitoring team membership be published in the Federal Register. Also, is this the group that should be contacted if any interested party had concerns about a state's performance of its delegated functions? There does not appear to be any mechanism, other than the public hearing, in the regulation for an interested party to voice its concerns. COPAS recommends that the monitoring team perform that function.

Section 227.801 - "If your performance of the delegated function... under Sec. 227.106 of this part, then MMS may:". COPAS believes the word "may" should be "will".

Section 227.804 - COPAS recommends that the 90-day period be changed to 180 days. Also, COPAS believes that the regulation should include a provision for either the state or MMS to notify the reporters when a state cancels a delegation agreement. COPAS recommends the time period not start until the reporters have been notified.

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COPAS thanks MMS for the opportunity to comment to this proposed rule.

Sincerely,

A handwritten signature in cursive script, appearing to read "John E. Clark".

John E. Clark
Chairman, COPAS Federal Affairs Subcommittee

It

cc:
Larry Monzingo
Bill Stone
Mary Stonecipher
COPAS Federal Affairs Subcommittee